

**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**

Order Instituting Investigation and Order to
Show Cause on the Commission's Own
Motion into the Operations and Practices of
Pacific Gas and Electric Company with
Respect to Locate and Mark Practices and
Related Matters.

**I.18-12-007
(Issued December 14, 2018)**

**PACIFIC GAS AND ELECTRIC COMPANY'S
RESPONSE ON SCOPE AND ISSUES IDENTIFIED IN THE OII**

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Pacific Gas and Electric Company ("PG&E" or "the Company") hereby submits this Response to the Preliminary Scoping Memo, pursuant to Part VI.C of the California Public Utilities Commission's ("CPUC") Order Instituting Investigation and Order to Show Cause ("OII").

The issues discussed in the OII Preliminary Scoping Memo and in the CPUC's Safety and Enforcement Division ("SED") Investigative Report into the Operations and Practices of PG&E's Damage Prevention and Locate & Mark Programs ("SED Report") are very important, and deserve the Commission's – and PG&E's – attention. PG&E's most important responsibility is public, employee, and contractor safety, and we understand and recognize the serious concerns raised by SED regarding PG&E's Locate and Mark ("L&M") internal reporting practices. The OII and SED Report address instances of conduct at PG&E that fell short of the high standards of integrity and the ethical action to which the Company is committed. The SED Report describes conduct that was unacceptable and was not, and is not, condoned by PG&E. PG&E recognizes that gaps in culture, organization and systems, among other things, contributed to an environment where these issues arose and continued over time. PG&E has been and continues to be on a mission to improve its safety and compliance culture and to foster a non-retaliatory environment where all employees can confidently speak up, and leaders are consistently listening

and following up on issues raised by employees. Such transformations are difficult and take time, and PG&E is steadfastly committed to this important effort. PG&E has more work to do, and PG&E does not dispute the scope of issues as framed in the OII.

In order to address the issues, PG&E has undertaken significant efforts to understand the scope and nature of the problem: the factors that contributed, how it persisted, and, most importantly, what steps are necessary to correct it. The scope of issues that the OII identifies will encompass the key issues that PG&E has identified as relevant here, including the role that PG&E's L&M program plays in the natural gas system damage prevention program that the Company has focused on over the last several years. There is no question that L&M is an important component of any damage prevention program, as PG&E now responds to over one million L&M tickets per year. But there is also no question that PG&E's damage prevention program consists of far more than just L&M. Even while L&M was experiencing late ticket issues, PG&E's damage prevention program overall became more effective. The metric that is viewed throughout the industry as the most important safety metric in this area — the dig-in rate, or dig-ins per 1,000 tickets — showed continuous improvement every year since 2013, *see* Figure 1 below, and the multiple layers of protection mean that a late response to a ticket will not necessarily contribute to a dig-in. The scope of issues identified in the OII reflects the importance of understanding the late ticket issues in the context of this broader damage prevention program.

The scope of issues also properly considers PG&E's transparent response and cooperation with SED, including the retention of an independent investigative firm to prepare a report that PG&E provided to SED, and the Compliance Plan that PG&E developed — and began implementing well before the OII was issued — to address the problems identified. PG&E believes that the Preliminary Scoping Memo properly encompasses these important issues, for which PG&E provides brief initial context herein.

I. LOCATE & MARK

The goal of PG&E's L&M program is to promote public and employee safety by identifying and protecting PG&E assets and by reducing excavation-related damages to the Company's underground facilities. L&M is one component of a broader damage prevention strategy aimed at enhancing public and employee safety by reducing excavation-related damages to PG&E's underground facilities.

A. The L&M process.

PG&E, as well as other utilities, belongs to the Underground Service Alert ("USA") One-Call — or "811" — regional notification system. The 811 system is activated when an excavator notifies USA via telephone or electronically of the excavator's plans to dig in a particular area. USA then notifies the participating entities — gas or electrical utilities, cable operators, water and sewer operators, and others, all known as "facility owners" or "operators" — of the excavator's plans. PG&E, like the other facility owners that receive the information from USA, then evaluates the information provided by the excavator to determine whether PG&E owns any facilities that may be at risk. If PG&E does own facilities near the planned excavation, PG&E provides the excavator with information typically in the form of color-coded surface markings to show where underground assets are located; these surface markings are made by a PG&E employee or contractor known as a "locator" who visits the work site in response to the USA ticket. Absent some other agreement, facility operators like PG&E are required to mark their facilities within two working days (or before the excavator's identified start time, if that time is more than two days away), and excavators are prohibited by law from digging until the operator has marked the requested area — even if the facility operator's locator is late or the marking takes longer than two days. That a response is "late" does not automatically mean that the facilities will be unmarked when the excavator digs; to the contrary, the facility owner is still required to come mark, and the excavator is still required to wait.

The L&M process is logistically complex, for a number of reasons. The most obvious is the volume: During the period from 2012 to 2017, PG&E received more than 4.6 million USA

tickets, with the numbers increasing each year during that period, in part due to PG&E's proactive 811 public awareness campaign. In 2017 alone, PG&E received nearly one million USA ticket requests. While PG&E's proactive efforts to increase 811 calls, as discussed below, have helped drive this increase, there is no mistaking that the volume is tremendous. Moreover, not all tickets are created equal. Each ticket can represent a multi-step project: A single ticket might represent a mile-long excavation lasting weeks or longer, for which the locating and marking should be implemented in phases as the dig proceeds. The workload can vary year-to-year as the economy expands or slows, season-to-season as construction heats up or cools down, and day-to-day as weather fluctuates and rain prevents proper marking. While facility owners across the industry work to complete all tickets within two business days, as a practical matter it is difficult to always meet the two-day requirement, and the law contemplates that excavators and operators will work to set schedules that are achievable. *See* Cal. Gov. Code § 4216.2(b).^{1/}

B. L&M processes improvements.

The period at issue was one of immense investment in gas safety for PG&E, and for L&M in particular. PG&E had extensive policies and controls in place to minimize dig-ins and prevent late tickets, and PG&E worked proactively to improve its damage prevention and L&M performance. Among other improvements, PG&E pulled together L&M resources from across different divisions to create a dedicated organization that would focus on L&M. Because excavators' failure to call 811 is one of the leading causes of dig-ins, PG&E also made extensive efforts to promote awareness of the 811 process and encourage excavators to request a mark; efforts that contributed to a significant increase in overall ticket volume, and gave PG&E the opportunity to prevent additional dig-ins. PG&E implemented policies that required PG&E locators who needed to renegotiate ticket schedules to speak to a live representative of the excavator; these policies specifically did not permit locators to "renegotiate" a ticket deadline by

1/ The Government Code sections related to L&M were amended effective January 1, 2017. Current Section 4216.2(b) was Section 4216.2(a) in the statutes that were in effect before January 1, 2017.

unilaterally leaving a voicemail. PG&E conducted internal audits of its L&M program and implemented fixes that its auditors deemed satisfactory. PG&E leadership met regularly with excavators and sought and received feedback on the Company's L&M performance. And the Company developed a detailed L&M-procedures manual written by its locator professionals, to ensure that the procedures were not only compliant, but also provided informed, realistic guidance.

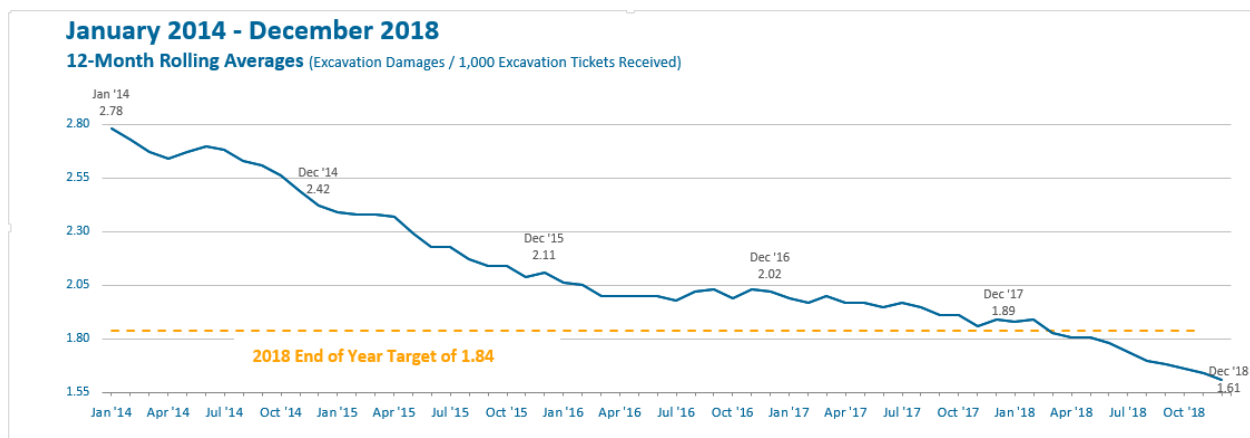
To manage its responses to between approximately 600,000 and a million tickets per year over the relevant time period, PG&E used and continues to use a ticket-management system called UtiliSphere. UtiliSphere is a widely used software designed specifically for managing the 811 process. UtiliSphere enables operators to record each event in the L&M process, through drop-down options that are tailored to 811 activities and additional fields where locators can record notes about their actions. UtiliSphere also provides summary data, including counts of "late" tickets that it generates based simply on the time that a ticket was first entered into the system and the time that various subsequent steps were taken.

This ticket-management software has evolved over time. For example, some drop-down options — like the option that allowed a locator to record that he or she left a voicemail for an excavator — have been removed and are no longer options that PG&E locators can use to record a "renegotiated" schedule. Similarly, the logic for counting late tickets has improved over time. This internal UtiliSphere logic is important. While many 811 calls are straightforward — an excavator calls, and within two working days the area is either marked or not — other permutations of tickets can be much more complex. A single ticket may be phased over weeks or longer, with different phases having different timelines that are all modified further as a result of various communications between the excavator and the facility owner. As the ticket-management system's logic has become more sophisticated, gaps that resulted in incorrect counts have been closed.

The evidence in this proceeding will ultimately show that during the 2012-2017 period in question, PG&E took numerous steps to make its damage prevention and L&M programs safer

and more effective. The evidence will also show that PG&E’s efforts were yielding success. Most importantly, PG&E’s dig-in rate — the number of dig-ins per 1,000 USA tickets — was decreasing, improving every year since 2013. The dig-in rate is viewed industry-wide as the single most important safety metric in this area; dig-ins are the events that ultimately can result in harm to people and property. As shown in Figure 1 below, over the period in question in this proceeding, PG&E’s dig-in rate went down, and industry “benchmarking” data showed that PG&E was becoming safer relative to its peers. To further illustrate PG&E’s safety improvement in this regard, as recently as June 2014, PG&E recorded a monthly dig-in rate of 3.16 dig-ins per thousand; by contrast, PG&E’s annual dig-in rate for 2018 was 1.61. PG&E’s dig-in rate has dropped nearly in half. From a safety perspective, PG&E’s investments were showing the desired results.

Figure 1:



In addition, PG&E saw a continual decline in the number of late responses to USA tickets over this period. The late-ticket numbers were produced from the UtiliSphere software, the only comprehensive system PG&E has for tracking its performance on USA tickets. The decline, while dramatic, was not perceived by many as surprising for a number of reasons. First, given the steps that PG&E took during that period to improve the L&M program and reduce the dig-in rate, declines in late tickets were expected. To PG&E and industry professionals, declines in both the late-ticket numbers and the dig-in rate went hand-in-hand, since the declining dig-in rate

would suggest that PG&E was improving its damage prevention processes. The dig-in rate was not the only indicator of the improvements, but it was an important one. Moreover, when PG&E investigated the factors that contributed to those dig-ins that occurred, the most common factors were the excavator's failure to call 811 and improper excavation practices—not a lack of timely marks.

II. LATE-TICKET ISSUES

The SED Report describes conduct that was unacceptable, in violation of PG&E policy, and in no way sanctioned by the Company. PG&E believes that to address that conduct, it is important to understand precisely what the conduct was and why it mattered.

At the outset, it is important to note that late-ticket numbers are not required to be reported to any governmental agencies or regulators, and that the issues identified in the SED Report in no way constituted an effort to deceive the government. While the ticket-management software's late-ticket counts were the most comprehensive count available when SED requested the numbers in 2016 and were voluntarily included in PG&E reports of its general gas-operations activity, no government agency routinely tracked or requested the numbers. Rather, late-ticket counts produced by the UtiliSphere ticket-management software were used primarily to help PG&E allocate staffing resources: PG&E management viewed late-ticket totals as a helpful indicator of where additional staff should be deployed. Put another way, whereas the dig-in rate is the key *safety* metric in this area, late tickets are primarily a *managerial* metric.

Second, it is important to recognize that the conduct at issue varied. In some cases, it involved locators who sought to reschedule a ticket, called the excavator, and left a voicemail instead of talking to a live representative. In others, it involved employees who took advantage of a now-eliminated “glitch” in the ticket-management software not to record anything *inaccurately*, but to record information *accurately* but in a way that they knew would cause the ticket to appear in the software's late-ticket reporting as timely when in fact it was late. Under one iteration of the glitch (which persisted for a time, despite efforts to fix it), the UtiliSphere

ticket-management system would identify as timely any ticket on which a locator entered *any* action on the ticket prior to the excavator's start time, even if the action did not actually result in a completed marking or negotiated extension of time. For example, if an employee accurately recorded, before the ticket's "due" time, that there was "inclement weather" or that they had reached out but got "no response from excavator," the UtiliSphere system would report the ticket as timely because that "inclement weather" or "no response" entry was made before the due time – even though the ticket had not yet actually been marked. Unacceptably, some employees were aware of this system glitch and improperly took advantage of it.

None of this is to suggest that the conduct was permissible, that no intentional misconduct by certain employees took place, or that there were not instances of falsification. But to the extent that this proceeding attempts to ascertain the scope of the problem, it will be important to recognize that not all of the conduct was identical.

A. The issues that SED and PG&E have identified were inconsistent with Company training and policy.

The kind of conduct described in the SED Report was improper and contrary to PG&E policy. With respect to the use of voicemails to negotiate new schedules, PG&E provided training that expressly informed L&M employees that voicemail was not an acceptable means of establishing new start times for USA tickets. With respect to entering information into the ticket-management system for the purpose of making a late ticket look timely, the Company has long prohibited employees from engaging in any practices that would undermine the reliability of Company records. Moreover, all of this conduct affirmatively harmed PG&E's ability to allocate its resources appropriately. PG&E leadership relied on late-ticket numbers to determine where additional staffing was needed; if late tickets were not appearing accurately in the software used to track tickets, PG&E leadership's ability to properly allocate resources was undermined. In short, the conduct that SED describes was inappropriate and was prohibited by PG&E's internal policies.

B. The issues that SED and PG&E have identified arose in large part as an unintended consequence of practices intended to promote safety.

While the conduct at issue here was contrary to PG&E policy, the conduct appears to have originated as an unintended consequence of certain pro-safety practices — practices that have since been re-calibrated, but that were always intended to promote safety and compliance.

First, USA ticket volume increased dramatically over the period at issue. This increase was not mere happenstance, but was driven in part by PG&E’s dedicated damage prevention strategy. Recognizing that L&M, and damage prevention more generally, depends on excavators actually calling 811 before they dig, PG&E engaged in systematic efforts to promote the 811 system and increase ticket volume. Ticket volume thus rose significantly over the years at issue here. The volume of tickets that PG&E was facing was at least in part a result of PG&E’s own efforts to promote safe digging by stimulating excavators’ active use of the 811 system.

Second, as the Company faced this increase in workload, some L&M employees were told there would be “zero tolerance” for late tickets. That message, to be sure, is stark. At the same time, California law provides that ticket responses must occur within a specified time, and employees were right to focus on full compliance to avoid running afoul of that requirement. The problem arose when the message of a “drive to zero” on late tickets was communicated, at times, in an overbearing way, leading certain employees to shift focus from proper L&M practices to using “zero late tickets” as the single, defining metric of safe performance — which it was not.

While PG&E is, as discussed further below, implementing a Compliance Plan to address the issues that the Company and SED have identified, it is important to understand the issues in the context of overall safety, of how they occurred, and for what they are and are not. PG&E will address all of these topics in greater detail in the 90-day filing in accordance with Section V.B of the OIL.

III. PG&E'S RESPONSIBILITY AND CORRECTIVE ACTIONS

A. PG&E has taken responsibility for the issues that SED and PG&E have identified.

Over the period in question, PG&E took a number of steps specifically designed to provide for the reliability of the late-ticket data that it relied on: implementing policies, auditing the program and implementing corrective actions, ordering the removal of the ticket-management software's voicemail option, and directing a senior leader to review and act on possible discrepancies. In 2017, PG&E Gas leadership became aware that the Company's previous efforts had not been effective. Since that time, and in addition to personnel actions described elsewhere, PG&E has taken significant steps to address the issues.

In 2017, following PG&E's participation in an industry peer review of PG&E's damage prevention program, the Company initiated a Special Attention Review ("SAR") to focus on L&M late-ticket issues. A SAR is a PG&E process designed to bring high-level attention and resources from across the Company to issues in need of resolution. The SAR in this case was convened by the Senior Vice President of Gas Operations and was designed to investigate the scope of the problem, identify the factors that contributed to it, and determine the actions necessary to prevent it from recurring.

The Company, of its own accord, also retained Guidepost, a global compliance and investigative firm, to investigate L&M late-ticket underreporting issues and prepare an independent report, which it provided to SED and the federal Monitor, on the causes of the underreporting. In Guidepost's words,

[PG&E] cooperated fully and without reservation during the investigation and made clear numerous times that we could have access to any and all information we deemed relevant, and could speak to or interview any PG&E employee at any level. PG&E also made clear that it would not seek to influence our [judgment] in any way. All of these promised conditions were met.

SED Report Ex. 3 at SED-00010. In the end, Guidepost reviewed over 250,000 documents and conducted 40 interviews of PG&E employees. PG&E provided the Guidepost Report directly to

SED and the federal Monitor — and, indeed, as described below, invited SED and the federal Monitor to attend Guidepost interviews, which PG&E itself did not attend to help support and preserve Guidepost’s independence.

When it became clear through its SAR process that the existing late-ticket counts from its UtiliSphere ticket-management software were unreliable, PG&E retained the consulting firm Bates White to determine, to the extent possible based on data available from that ticket-management system, which tickets should be properly categorized as late. Given the voluminous data at issue, Bates White did not conduct a ticket-by-ticket review, or interview or investigate the individual circumstances of millions of tickets that were in some instances six years old. Rather, it developed database searches that would identify, more accurately than the previously used UtiliSphere search logic, tickets that should have been counted as late. When faced with the difficulty of making careful judgments across millions of records, PG&E directed Bates White to develop a *conservative* search logic, leading to a final product that Bates Whites believes “count[ed] as late some tickets that may in fact be timely.” SED Report Ex. 4 at SED-00094. PG&E instructed Bates White to take this conservative approach because its goal was to understand the full potential scope of the issue.

Finally, for well over a year, the Company has worked cooperatively with the federal Monitor and the SED. PG&E provided the Guidepost and Bates White reports to the federal Monitor and SED. PG&E invited the federal Monitor and SED to observe or participate in the dozens of interviews that Guidepost conducted — even while PG&E itself chose to remain unrepresented in those interviews. PG&E also invited the federal Monitor and SED to hear real-time summaries of the interviews before the Guidepost report was finalized, and to ask any questions of Guidepost that they wanted to ask while Guidepost investigated the matter. PG&E arranged briefings for the federal Monitor and for SED on historical findings, current workstreams, and planned corrective actions.

B. PG&E is implementing a Compliance Plan to address the issues that PG&E and SED have identified.

The reviews that PG&E has undertaken since 2017 have been productive. Both the Guidepost Report, with its independent assessment, and the SAR, bringing perspectives from across PG&E, identified additional steps that PG&E could take to make its damage prevention and L&M processes more effective and to build on the Company's declining dig-in rate.

These efforts led to the creation of a Compliance Plan. The Compliance Plan, which the Company continues to update, now sets out 30 corrective actions across five core areas that were identified through the SAR and other reviews. The corrective actions range from cultural steps to be taken by PG&E leadership in support of strengthening the organization's "Speak Up, Listen Up, Follow Up" culture, to process improvements, to information technology fixes. Among other things, the voicemail option has been removed from the ticket-management software, the software's late-ticket counting logic has been improved, and additional quality reviews have been implemented. The Compliance Plan also requires a review by PG&E's Internal Audit team to ensure that the corrective actions were and are being properly implemented. Of the Compliance Plan's 30 actions, 21 are complete, and the others are in progress and are being closely monitored.

The evidence in this proceeding will show the seriousness with which PG&E has reacted and responded to these issues, and the resulting improvements. Indeed, with over a million USA tickets in 2018, PG&E's late-ticket numbers and dig-in rate both continue to go down. And with improved controls and quality-assurance and quality-management processes, PG&E's confidence in its data continues to go up. PG&E takes the issues identified in the OII very seriously, and looks forward to demonstrating to the Commission the responsible manner in which it has handled them.

IV. CONCLUSION

Because the Preliminary Scoping Memo properly reflects the nature of the issues that merit attention in this matter, PG&E respectfully supports that scope.

Respectfully submitted,

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